

AR37

1972  
Annual Report

Canadian Pacific  
Investments  
Limited

**Principal  
Subsidiary  
Companies**

**PanCanadian Petroleum Limited**

Head Office:  
Natural Resources Building,  
205 – 9th Avenue S.E.,  
Calgary, Alberta

**CanPac Minerals Limited**

Head Office:  
Natural Resources Building,  
205 – 9th Avenue S.E.,  
Calgary, Alberta

**Fording Coal Limited**

Head Office:  
Trail, British Columbia

**Pacific Logging Company Limited**

Head Office:  
468 Belleville Street,  
Victoria, British Columbia

**The Great Lakes Paper Company, Limited**

Head Office:  
Thunder Bay, Ontario

**Marathon Realty Company Limited**

Head Office:  
Suite 1650, Royal Trust Tower,  
Toronto-Dominion Centre,  
Toronto, Ontario

Room 212, CP Rail Station,  
Vancouver, British Columbia

Suite 835, 1 Palliser Square,  
Calgary, Alberta

2124 Broad Street,  
Regina, Saskatchewan

69 Yonge Street,  
Toronto, Ontario

Suite 1930, Place du Canada,  
Montreal, Quebec

**Cominco Ltd.**

Head Office:  
1199 West Pender St.,  
Vancouver, British Columbia

**Canadian Pacific Hotels Limited**

Head Office:  
Royal York Hotel,  
Toronto, Ontario

Empress Hotel,  
Victoria, British Columbia

Palliser Hotel,  
Calgary, Alberta

Calgary Tower Restaurants,  
Palliser Square, Calgary, Alberta

Banff Springs Hotel,  
Banff, Alberta

Chateau Lake Louise,  
Lake Louise, Alberta

Chateau Lacombe,  
Edmonton, Alberta

Hotel Saskatchewan,  
Regina, Saskatchewan

Northstar Inn,  
Winnipeg, Manitoba

Red Oak Inn,  
Brandon, Manitoba

Skylon Restaurants,  
Niagara Falls, Ontario

Le Château Champlain,  
Montreal, Quebec

Le Baron Motor Hotel,  
Sherbrooke, Quebec

Le Baron Motor Hotel,  
Trois-Rivières, Quebec

Le Château Frontenac,  
Quebec City, Quebec

Le Château Montebello,  
Montebello, Quebec

Chateau Halifax,  
Halifax, Nova Scotia

**Canadian Pacific Securities Limited**

Head Office:  
Room 247, Windsor Station,  
Montreal, Quebec



APR 4 1973

**Annual Report  
1972****Contents**

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Le rapport paraît en anglais et en français. Si vous en désirez un autre exemplaire, veuillez remplir la carte et nous la renvoyer.

- ☐ Please send an English copy of your annual report.
- ☐ Veuillez m'envoyer un exemplaire du rapport annuel en français.

Name  
Nom

Address  
Adresse

City  
Ville

Province

**Notice of Annual Meeting of Shareholders**

The Annual Meeting of the Shareholders of Canadian Pacific Investments Limited will be held on Friday, April 27th, 1973, at Le Château Champlain, Place du Canada, Montreal, Quebec, at 11:00 A.M. (daylight saving time, if operative), for the following purposes:

- a. to receive the Report of the Directors, accompanying Consolidated Financial Statements and Report of the Auditors thereon, for the year ended December 31st, 1972;
- b. to elect Directors;
- c. to appoint the Auditors and to authorize the Board of Directors to fix their remuneration; and
- d. to transact such other business as may properly come before the meeting.

The Board of Directors has by resolution fixed the time, before which proxies to be used at the Annual Meeting or any adjournments thereof must be deposited at Montreal, P.Q., with the Company or the Montreal Trust Company as Agent for the Company, at twenty-four hours, excluding Saturdays and holidays, preceding the Annual Meeting or any adjournments thereof.

By order of the Board,  
G. S. MacLean, Secretary.

Montreal, March 23rd, 1973.

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**Board of Directors  
and Officers**

**Directors**

- \*W. A. Arbuckle,  
*Chairman of the Canadian Board,*  
The Standard Life Assurance Company, Montreal
- \*F. S. Burbidge,  
*President,*  
Canadian Pacific Limited, Montreal
- \*A. M. Campbell,  
*Chairman and Chief Executive Officer,*  
Sun Life Assurance Company of Canada, Montreal
- R. W. Campbell,  
*Chairman of the Board and Chief Executive Officer,*  
PanCanadian Petroleum Limited, Calgary
- R. Hendricks,  
*Chairman and Chief Executive Officer,*  
Cominco Ltd., Vancouver
- S. E. Nixon,  
*Chairman,*  
Celanese Canada Limited, Montreal
- H. M. Pickard,  
*Executive Vice-President,*  
Canadian Pacific Investments Limited, Calgary
- \*The Hon. Duff Roblin, P.C., C.C.,  
*President,*  
Canadian Pacific Investments Limited, Montreal
- \*Ian D. Sinclair,  
*Chairman and Chief Executive Officer,*  
Canadian Pacific Limited, Montreal
- \*Member of Executive Committee

**Officers**

- Ian D. Sinclair,  
*Chairman and Chief Executive Officer,*  
Montreal
- The Hon. Duff Roblin, P.C., C.C.,  
*President,*  
Montreal
- H. M. Pickard,  
*Executive Vice-President,*  
Calgary
- P. A. Nepveu,  
*Vice-President and Comptroller,*  
Montreal
- D. E. Sloan,  
*Treasurer,*  
Montreal
- G. S. MacLean,  
*Secretary,*  
Montreal

**Transfer Agent and Registrar**

Montreal Trust Company, Montreal, Toronto, Winnipeg,  
Regina, Calgary and Vancouver

**Stock Listings**

Preferred Shares, Series A:  
Montreal, Toronto and Vancouver Stock Exchanges



### **Net Income Up**

Favorable economic conditions enabled the Company to improve its performance significantly in 1972 and to launch projects expected to enlarge its future earnings base. As business in Canada and in Canada's primary markets – the United States, Japan, Britain and Western Europe – moved into a more expansionary phase, demand revived and prices recovered for many of the products of the resource industries in which Canadian Pacific Investments has interests.

The Company's consolidated net income for the year, at \$44.3 million or 79¢ per Common share, was up sharply over the \$35.8 million or 62¢ per share earned in 1971. Income before extraordinary items amounted to 75¢ per share, compared with 56¢ in the previous year.

The improvement in earnings was general throughout the various sectors of the Company's operations. Equity in income of subsidiaries not consolidated reflected the recovery of Cominco Ltd. from the depressed level of 1971. Net income of The Great Lakes Paper Company, Limited was down, and this was the sole exception to the general pattern of improvement in 1972.

### **1973 Trends Appear Favorable**

On the whole 1973 looks encouraging. Unless some unexpected and sudden restraints are applied which would check economic growth in Canada and the United States, the Company's earnings should again show a substantial increase in 1973.

The energy scarcity facing the United States is being reflected in rising prices of Canadian oil and gas and is giving impetus to the development of Canada's energy resources. Price increases for oil and gas already in effect or in prospect will add to PanCanadian Petroleum's net income in 1973. It now seems that Fording Coal, owned 60% by CPI and 40% by Cominco, will show a loss in 1973. As the year progresses and production approaches full contract quantities, results should improve. They would also benefit from any increase in the contract price agreed to during the preliminary discussions now under way.

Pacific Logging will show a further significant increase in net income. A modest decline in the rate of residential construction in Canada and the United States is expected to be offset by a strengthening trend in non-residential building, which would support prices for logs and lumber.

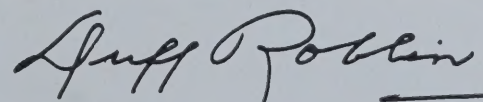
Marathon Realty is looking to higher net income from its lands and buildings, which new developments continue to enhance. Canadian Pacific Hotels should profit from the greater business and pleasure travel which accompanies a buoyant economy.

With little additional newsprint capacity coming on stream in North America, Great Lakes Paper expects to make greater utilization of its capacity. Together with expected higher newsprint prices, this will facilitate the rebound of that company's earnings from their low point in 1972. The outlook for prices and production of Cominco's basic products – lead, zinc and fertilizers – is promising. For both Great Lakes and Cominco expectations would have to be revised downward if the value of the Canadian dollar were to increase in relation to the U.S. dollar.

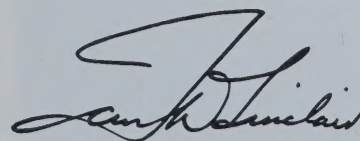
### **Officers and Employees**

In addition to the many skills which are needed in an organization as diversified as Canadian Pacific Investments Limited, teamwork is necessary for realization of the Company's goals. The presence of this essential quality in the Company and its subsidiaries is amply demonstrated by the achievements of the past year. The Directors are pleased to express their sincere appreciation to all officers and employees for their contribution to the progress of the Company.

For the Directors,



President

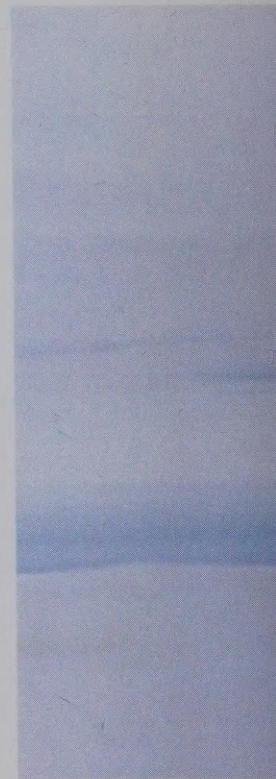


Chairman and Chief Executive Officer

Montreal, March 9, 1973.



Left to right, top:  
 CP Hotels' new 312-room Chateau Halifax under construction.  
 Newsprint production at Great Lakes Paper mill, Thunder Bay, Ont.  
 Panarctic Oils exploration in the Canadian north.



Left to right, bottom:  
 New 100-room Red Oak Inn motor hotel in Brandon, Man.  
 Marathon Realty Orchard Park shopping centre at Kelowna, B.C.  
 Lumber from new Pacific Logging sawmill complex at Ladysmith, B.C.  
 Black Angel minesite of Greenex A/S in Greenland.





## Energy

Energy developments in which the Company has interests either through subsidiary companies, portfolio investments, or direct participation, span a wide range – oil and gas exploration and production, oil and gas pipeline transmission, mining of thermal as well as metallurgical coal, and uranium mining.

### **PanCanadian Petroleum Limited**

PanCanadian continued its program of exploration and development of oil and gas in Western Canada.

Exploration outside Canada during 1972 was concentrated mainly in the United Kingdom sector of the North Sea, and on holdings in the Adriatic and Ligurian Seas and on the mainland of Italy.

In March 1972 PanCanadian Petroleum sold \$25 million of 8½% 20-year secured debentures and on November 1 a further issue was marketed of \$25 million of 8¾% debentures.

Purchase by PanCanadian Petroleum of all the shares of TransCanada Petroleums Limited for approximately \$32 million was completed on January 31, 1973. TransCanada Petroleums carries on petroleum exploration and production in Western Canada and has a 50% interest in a natural gas liquids extraction plant at Empress, Alberta, and other related facilities for transporting and marketing liquefied petroleum gases.

In 1972 PanCanadian Petroleum's revenues, earnings and production were at record levels. Net income rose to \$15.2 million from \$14.5 million. Production of crude oil and natural gas liquids averaged 33,994 barrels per day in 1972, 5,464 per day more than in 1971. Natural gas sales averaged 199 million cubic feet per day, an increase of 20 million cubic feet per day.

Changes during the year in estimated net proven and probable reserves are indicated in the following comparative year-end figures:

	1972	1971
Crude oil and natural gas liquids – million barrels	215.9	218.2
Natural gas – billion cubic feet	1,627	1,627
Sulphur – million long tons	3.9	4.0

Crude oil prices have increased recently and during 1973 natural gas prices are due for re-negotiation in contracts affecting about one-third of PanCanadian's working interests in gas production. Most of the remaining contracts will be renegotiated within three years.



CPI owns 87.1% of the outstanding voting stock of PanCanadian Petroleum. Based on closing market prices on December 29, 1972, the market value of this holding was \$424.9 million.

A copy of the 1972 annual report of PanCanadian Petroleum Limited can be secured by requesting it from the Secretary of that company at P.O. Box 2850, Calgary, Alberta.

### **Pipelines**

Canadian Pacific Investments became a member of Canadian Arctic Gas Study Limited, a consortium of companies sponsoring planning for construction of a natural gas pipeline south from the Mackenzie Delta and Prudhoe Bay via the Mackenzie River Valley. The Company has also joined in the Polar Gas Project, which is conducting research and planning for construction of a pipeline from the Arctic Islands to Eastern Canada and the U.S. border.

During 1972 the Company purchased 70,000 TransCanada PipeLines Limited convertible second Preferred shares, Series A, and sold, at a gain, 183,840 Common shares of that company.

### **Panarctic Oils Ltd.**

The Company has a 12.7% interest in Panarctic Oils Ltd. through two of its subsidiaries, PanCanadian Petroleum and Cominco, each of which holds a 9% interest. In 1972 Panarctic continued its natural gas finds with further discoveries on Melville Island. These bring the gas reserves of the Arctic Islands closer to the threshold level needed to support a gas pipeline to southern markets.

### **CanPac Minerals Limited**

In August Canadian Pacific Investments sold 40% of CanPac Minerals Limited to Cominco Ltd. for \$8 million. The sale price was paid by the issuance to the Company of 271,370 Common shares of Cominco. At the time of the sale, Cominco took over management of CanPac Minerals.

After the close of the year CanPac Minerals entered into its first major contract for development of its thermal coal resources. An agreement with Calgary Power provides for the development by that company of the South Wabamun coal field. CanPac Minerals will receive royalties over a 35-year period on tonnage used in power production.

### **Fording Coal Limited**

Shipments from the Fording Coal Limited mine in southeastern British Columbia under the 15-year contract with Japanese steel producers commenced in April 1972 and during the balance of the year one million tons were shipped. The quality of the coal has been in excess of specifications.

Production of clean coal has been below plan due to a series of equipment start-up problems. By December monthly production rose to 170,000 tons and during the second quarter of 1973 it is expected to reach the full monthly target rate for the second contract year of 250,000 tons. At December 31, 1972 the total capital cost of the project was about \$90 million. Preliminary discussions have begun on revision of the 1969 contract price.

### **Metals, Fertilizers and Chemicals**

The Company's principal interest in these products derives from its 54% ownership of Cominco Ltd. It also has shares in Rio Algom Mines Limited and in Union Carbide Canada Limited, representing in each case less than 10% of the voting shares outstanding.

### **Cominco Ltd.**

Development work during the year was centred on three main projects. The first of these is the Black Angel mine of Greenex A/S in Greenland. Substantial reserves of high grade zinc-lead ore were outlined and excellent progress was made in readying the property for production by the end of 1973. Greenex is a wholly-owned subsidiary of Vestgron Mines Limited, in which Cominco holds a 61.5% equity. The second is the Polaris property of Arvik Mines Ltd. on Little Cornwallis Island in Canada's high Arctic. The existence of a substantial ore body has been confirmed, with grades of combined zinc and lead of more than 20%. Cominco owns 75% of Arvik. At the third site, the Rubiales zinc-lead property in Spain, results obtained confirm that this property will develop into a medium size mining operation. Rubiales is owned by a company in which Cominco has a 63% interest.

The Aberfoyle group of companies in Australia, in which Cominco acquired a 55% interest in 1971, developed significant additions to tin and tungsten ore reserves.

While financing and marketing negotiations continue, persistent political and market uncertainties have impeded efforts to bring into production the British Columbia copper property



of Valley Copper Mines Limited, in which Cominco has a 70% interest.

Revenues of Cominco in 1972 were at an all time high, and consolidated net earnings were up from \$16.6 million in 1971 to \$19.8 million. Demand and prices for the major products, zinc and lead, improved during the year.

Fertilizer markets strengthened and prices rose marginally in North America, while a more pronounced improvement occurred in offshore markets. Rehabilitation of Cominco's flooded potash mine at Vade, Saskatchewan, was nearly completed by year end.

The market value of the 9,163,775 shares of Cominco Ltd. owned by Canadian Pacific Investments Limited was \$226.8 million, based on closing market prices on December 29, 1972.

A copy of the 1972 annual report of Cominco Ltd. can be secured by writing to the Secretary of that company at 1199 West Pender Street, Vancouver, B.C.

## **Forest Products**

Two subsidiaries, The Great Lakes Paper Company, Limited and Pacific Logging Company Limited, and a portfolio investment in shares of MacMillan Bloedel Limited comprise the Company's interests in the forest industry.

### ***The Great Lakes Paper Company, Limited***

Purchases of an additional 17,400 Common shares during the year increased CPI's holding of Great Lakes Paper to 51.9% of the voting stock of that company. The market value of this holding was \$37.4 million at the end of 1972, based on closing market prices on December 29.

Great Lakes began construction of a new \$4.1 million stud mill in 1972. Shipments of stud lumber will start in the second half of 1973.

Through a continuing pollution control program, Great Lakes has substantially reduced undesirable effects resulting from its manufacturing processes. An active forest management program is being pursued to assure continuous forest growth.

Net earnings of Great Lakes in 1972 were \$1.6 million, compared with \$3.2 million in 1971. The decrease was due to a discount on U.S. dollar exchange, highly competitive markets and continued cost inflation. The company was able to strengthen its newsprint market position in the latter part of the year, its efforts being supported by a growing improvement in demand. This made it possible in mid-November to begin operating

the newsprint mill on a seven-day basis for the first time in Great Lakes' history.

A copy of the 1972 annual report of The Great Lakes Paper Company, Limited can be secured by writing to the Secretary of that company at Thunder Bay, Ontario.

### ***Pacific Logging Company Limited***

A new sawmill complex at Ladysmith, B.C., in which Pacific Logging has an 80% interest, was completed in October. Complementing other mills on Vancouver Island in which the company has interests, the new mill is designed to utilize low-grade as well as standard saw logs. The mill had a good start-up and by the end of the year was operating profitably at its rated capacity.

Strong lumber markets enabled Pacific Logging to achieve a record high net income.

### ***MacMillan Bloedel Limited***

The purchase of \$5.0 million of additional Common shares of MacMillan Bloedel during 1972 brought CPI's investment in that company to \$74.8 million and its share interest to 12.3%.

## **Hotels and Restaurants**

1972 was a record year for Canadian Pacific Hotels Limited. In 1973 the company will be making its entry into the international area, thus adding new dimensions to its operations. Plans for the year include operation of hotels in Mexico and the construction overseas of other hotels.

The Red Oak Inn in Brandon, Manitoba, was opened in June. This 100-room motor hotel features year-round resort accommodation in an urban setting, a concept which has been so well received that it may be applied elsewhere.

Construction of the Chateau Halifax, a 312-room luxury hotel in the Scotia Square development in Halifax, Nova Scotia, continued and is expected to be completed in the second half of 1973. The multi-million dollar renovation of the Royal York Hotel should be completed in the Fall of 1973. Programs for renovation of Le Château Montebello and for refurbishing guest rooms in the Banff Springs Hotel were carried on through the year and now move into their final phase in 1973.

In April 1972, Canadian Pacific Hotels Limited sold \$20 million of 8½% 20-year mortgage bonds. The proceeds were used to retire short-term debt and to finance capital expenditures.



## **Real Estate**

The Granville Square office building in downtown Vancouver, part of Project 200 in which Marathon Realty is a partner, would have been ready for occupancy in November had it not been for the strike of elevator installers. Continuance of this strike is adding to the building's cost and causing losses of rental revenue.

Calgary Convention Centre Limited, in which Marathon is a part owner, began construction last year of a hotel which is to be linked with a convention centre and museum being constructed on the same block by the City of Calgary. The entire project is expected to be completed by mid-1975. It will then be connected by an elevated public walkway to Marathon's Palliser Square complex.

During the year Stage II of the Orchard Park shopping centre at Kelowna, B.C., was completed and substantially leased.

Early in 1973 Marathon commenced construction in Vancouver of a medium density commercial-residential development called Arbutus Village. The initial residential phase will consist of some 180 condominium units. This is Marathon's first venture into construction for resale. Construction of the commercial and retail space, which will be retained by Marathon, is planned to begin by April 1973.

Land was acquired in the Fraser Valley of British Columbia for a regional shopping centre and the necessary approvals and agreements are being progressed. In southwestern Ontario options were taken on certain lands and studies were initiated with a view to development. During 1972 sales and upgrading of some of Marathon's properties took place.

Marathon Aviation Terminals Limited, in which Marathon Realty has a 50% interest, added to three existing facilities and began construction of additional air cargo space at Montreal International Airport.

Vacancies in recently completed projects were at nominal levels by year end. The only exception to this was the high-rise office tower in Palliser Square, where 56% of space has been leased.

Final approval to the Part II Plan for the Metro Centre project in Toronto was given by the Ontario Municipal Board late in the year and land exchange agreements essential to implementation of the plan were completed. In addition, CN announced that they will build, own and operate the communications and observation tower to be located in the project.

A revised and expanded plan of development for the Windsor Station area in Montreal has been adopted. This new approach defers commencement to mid-1973.

## **Stock Holdings**

At December 31, 1972 there were 22,285 registered shareholders of the Preferred shares, Series A, of whom 98.5% were Canadian registrants. At year end 50,134,864 Common shares were outstanding. Of these, 50,000,000 were owned by Canadian Pacific Limited.

## **Directorate**

In February 1973, the Directors received, with regret, the resignation of Mr. G. J. van den Berg as a Director and as Vice-President, Investments. Mr. R. Hendricks, who has served as a Director since March 1967, will retire from active business life this Spring and he has indicated his intention not to stand for re-election as a Director of the Company at the 1973 Annual Meeting of Shareholders. The Directors wish to record their warm appreciation to Messrs. Hendricks and van den Berg for the contribution made by them to the Company during their association with the Board. Mr. R. W. Campbell was elected a Director of the Company on March 9, 1973 succeeding Mr. van den Berg.



		1972	1971
		(in thousands)	
<b>Statement of Consolidated Income for the year ended December 31</b>	<b>Oil and Gas</b>		
	Gross operating revenue	\$47,603	\$40,005
	Expenses including income taxes	34,218	27,145
	Net income	13,385	12,860
	<b>Timberlands and Related Facilities</b>		
	Sales and operating revenue	25,232	21,601
	Expenses including income taxes	21,867	19,890
	Net income	3,365	1,711
	<b>Real Estate and Related Operations</b>		
	Gross rentals and other income	32,709	23,266
	Expenses including income taxes	29,344	21,810
	Net income	3,365	1,456
	<b>Hotels and Restaurants</b>		
	Gross operating revenue	56,621	50,736
	Expenses including income taxes	53,661	48,334
	Net income	2,960	2,402
	<b>Financing</b>		
	Gross operating revenue	14,388	15,617
	Expenses including income taxes	14,276	15,512
	Net income	112	105
	<b>Investment Income</b>		
	Gross income	7,652	5,967
	Expenses including income taxes	838	733
	Net income	6,814	5,234
<b>Net Income from Operations</b>			
(after income taxes of – 1972 – \$13,470,000; 1971 – \$11,404,000) (Note 8)		30,001	23,768
<b>Equity in Income of Subsidiaries not Consolidated (Note 2)</b>			
Cominco Ltd.		11,306	7,138
The Great Lakes Paper Company, Limited		834	1,647
Other		180	182
		12,320	8,967
<b>Income before Extraordinary Items</b>		42,321	32,735
<b>Extraordinary items (Note 7)</b>			
(after income taxes of – 1972 – \$270,000; 1971 – nil) (Note 8)		1,936	3,043
<b>Net Income</b>		\$44,257	\$35,778
<b>Earnings per common share (Note 12)</b>			
Income before extraordinary items		75¢	56¢
Net income		79¢	62¢

See Notes to Financial Statements



		1972	1971
		(in thousands)	
<b>Statement of Consolidated Retained Income for the year ended December 31</b>	Balance, January 1 . . . . .	<b>\$163,601</b>	\$156,246
	<b>Add:</b>		
	Net income for the year . . . . .	<b>44,257</b>	35,778
		<b>207,858</b>	192,024
	<b>Deduct:</b>		
	Dividends		
	Preferred shares . . . . .	<b>4,696</b>	4,705
	Common shares . . . . .	<b>23,727</b>	23,718
		<b>28,423</b>	28,423
	Balance, December 31 . . . . .	<b>\$179,435</b>	\$163,601

**Consolidated Investment Portfolio as at December 31, 1972**

	Number of Shares	Percentage of Outstanding Voting Shares	Approximate Cost	Approximate Market Value
			(in thousands)	
<b>Common Stocks</b>				
Husky Oil Ltd. . . . .	452,400	4.69	\$ 5,179	\$ 8,483
The Investors Group . . . . .	300,000	4.38	3,650	3,300
MacMillan Bloedel Limited . . . . .	2,574,800	12.33	74,775	64,370
Northern and Central Gas Corporation Limited . . . . .	358,200	2.20	5,015	4,298
Rio Algom Mines Limited . . . . .	1,210,869	9.88	28,280	23,007
TransCanada PipeLines Limited . . . . .	1,200,000	13.03	44,613	52,800
Union Carbide Canada Limited . . . . .	825,300	8.25	18,375	13,514
Other . . . . .			1,627	7,423
			<b>181,514</b>	<b>177,195</b>
<b>Preferred Stocks</b> . . . . .			<b>34,215</b>	<b>35,712</b>
<b>Bonds, Debentures and Notes</b> . . . . .			<b>13,745</b>	<b>12,745</b>
			<b>\$229,474</b>	<b>\$225,652</b>

See Notes to Financial Statements



		1972	1971
		(in thousands)	
<b>Statement of Consolidated Source and Application of Funds for the year ended December 31</b>	<b>Source of Funds</b>		
	Net income . . . . .	\$ 44,257	\$ 35,778
	Add/(Deduct)		
	Equity in net income of subsidiaries not consolidated . . . . .	(11,753)	(10,657)
	Depreciation, depletion and amortization . . . . .	21,602	17,637
	Deferred income taxes . . . . .	8,450	7,185
	Minority interest in income of a subsidiary . . . . .	1,883	1,453
	Dividends from subsidiaries not consolidated . . . . .	7,898	7,495
	Funds from operations . . . . .	72,337	58,891
	Capital stock issued		
	Common		
	Issued . . . . .	\$151	
	Less: Conversion of preferred shares . . . . .	147	86
		4	
	Increase in long term debt . . . . .	54,926	33,687
	Proceeds from disposal of properties . . . . .	6,750	7,275
	Issue of shares of PanCanadian Petroleum Limited to acquire property . . . . .	—	9,158
	Decrease in other investments . . . . .	42	(3,689)
		<u>\$134,059</u>	<u>\$105,408</u>
	<b>Application of Funds</b>		
	Additions to investment portfolio . . . . .	\$ 5,114	\$ (47,349) *
	Investment in subsidiary companies not consolidated . . . . .	7,009	23,690 *
	Additions to properties . . . . .	54,834	63,098
	Dividends declared . . . . .	28,423	28,423
	Sundries (net) . . . . .	1,460	4,928
	Increase in working capital . . . . .	37,219	32,618
		<u>\$134,059</u>	<u>\$105,408</u>

\*Includes transfer of investment in The Great Lakes Paper Company, Limited.



**Consolidated  
Balance Sheet,  
December 31**

**Assets**

**Current Assets**

	1972	1971
	(in thousands)	
Cash and temporary investments, at cost (approximates market) . . . . .	\$ 48,759	\$ 56,076
Deposits with Canadian Pacific Limited . . . . .	36,711	5,868
Demand loan – Canadian Pacific Limited . . . . .	25,000	25,000
Demand loans and accrued interest – other affiliated companies . . . . .	18,203	18,203
Dividends and other accrued interest receivable . . . . .	1,802	1,393
Accounts receivable . . . . .	16,656	14,720
Inventories, at the lower of cost and market . . . . .	6,567	4,397
Prepaid expenses . . . . .	1,933	1,288
	<b>155,631</b>	<b>126,945</b>

**Investment Portfolio, at cost**

(market value 1972 – \$225,652,000; 1971 – \$194,073,000) . . . . .	<b>229,474</b>	<b>224,360</b>
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**Investments in Subsidiary Companies not Consolidated (Note 2)**

Cominco Ltd. . . . .	<b>179,985</b>	<b>171,157</b>
The Great Lakes Paper Company, Limited . . . . .	<b>44,701</b>	<b>44,116</b>
Other . . . . .	<b>17,788</b>	<b>16,337</b>
	<b>242,474</b>	<b>231,610</b>

<b>Other Investments, at cost . . . . .</b>	<b>31,182</b>	<b>31,224</b>
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**Properties, at cost**

Oil and gas . . . . .	<b>283,870</b>	<b>260,980</b>
Timberlands and related facilities . . . . .	<b>72,316</b>	<b>65,838</b>
Real estate and related operations . . . . .	<b>159,910</b>	<b>155,585</b>
Hotels . . . . .	<b>77,137</b>	<b>70,121</b>
	<b>593,233</b>	<b>552,524</b>
Less: Accumulated depreciation, depletion and amortization . . . . .	<b>122,944</b>	<b>102,544</b>
	<b>470,289</b>	<b>449,980</b>

<b>Other Assets . . . . .</b>	<b>12,128</b>	<b>6,578</b>
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**\$1,141,178    \$1,070,697**

**Auditors' Report  
to the Shareholders  
of Canadian Pacific  
Investments Limited**

We have examined the consolidated balance sheet of Canadian Pacific Investments Limited and subsidiary companies as at December 31, 1972 and the statements of consolidated income, consolidated retained income and consolidated source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. In respect of the equity in the undistributed net income of Cominco Ltd. and The Great Lakes Paper Company, Limited, we have relied upon the reports of the auditors who examined their financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, subject to possible adjustments which may result in the future from resolution of the matters referred to in the third paragraph of Note 2.

Price Waterhouse & Co.,  
Chartered Accountants  
Montreal, Quebec, March 8, 1973.

See Notes to Financial Statements



	1972	1971
	(in thousands)	
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bank loans . . . . .	\$ 4,134	\$ 722
Accounts payable and accrued charges		
Canadian Pacific Limited . . . . .	2,695	4,201
Other . . . . .	25,778	18,860
Notes and accrued interest payable . . . . .	107,448	130,549
Income and other taxes payable . . . . .	3,013	3,824
Dividends payable . . . . .	12,198	12,194
Long term debt maturing within one year . . . . .	11,903	5,352
	<u>167,169</u>	<u>175,702</u>
<b>Deferred Liabilities</b> . . . . .	6,333	6,685
<b>Long Term Debt</b> (Note 4) . . . . .	205,639	150,713
<b>Minority Shareholders' Interest in Subsidiary Company</b> . . . . .	15,110	14,395
<b>Deferred Income Taxes</b> . . . . .	63,924	56,037
<b>Shareholders' Equity</b>		
Capital Stock – (Note 3)		
Preferred shares		
Authorized – 12,500,000 shares of a par value of \$20 each		
Issued – 4,939,308 (1971 – 4,946,663) 4¾ % Cumulative		
Redeemable Convertible Voting, Series A . . . . .	98,786	98,933
Common shares		
Authorized – 100,000,000 shares without nominal or par value		
Issued – 50,134,864 (1971 – 50,119,859) shares . . . . .	322,982	322,831
Paid-in surplus . . . . .	81,800	81,800
Retained income (Note 3) . . . . .	179,435	163,601
	<u>683,003</u>	<u>667,165</u>
	<u>\$1,141,178</u>	<u>\$1,070,697</u>

Approved on behalf of the Board  
Ian D. Sinclair, Director  
Duff Roblin, Director



## Notes to Financial Statements

### 1 – Basis of Consolidation

The consolidated financial statements of Canadian Pacific Investments Limited (CPI) include the accounts of all wholly-owned subsidiaries (Marathon Realty Company Limited, Pacific Logging Company Limited, Canadian Pacific Hotels Limited, Canadian Pacific Securities Limited) and PanCanadian Petroleum Limited (PanCanadian), in which CPI has an interest of 87.13%. The minority interest in income of PanCanadian amounts to \$1,883,000 for the year 1972 and \$1,453,000 for the year 1971.

In August 1972 CPI sold a 40% interest in CanPac Minerals Limited (formerly a wholly-owned consolidated

subsidiary) to Cominco Ltd., and the investment in CanPac Minerals Limited is carried on the equity basis from that date. The consideration for the sale was \$8,000,000, satisfied by the issue of 271,370 shares of Cominco at the market value of \$29.48 per share.

The statement of consolidated income is designed to present the revenues and expenses of the various areas of the companies' operations. To this end, certain operating revenues include amounts charged to other consolidated entities and reflected in expenses elsewhere in the statement. Consolidated net income is not affected by this practice.

### 2 – Investments in Subsidiary Companies not Consolidated

The financial statements of Cominco Ltd., 54.0% owned, The Great Lakes Paper Company, Limited, (Great Lakes), 51.91% owned, and other unconsolidated subsidiaries are not consolidated because of the existence of substantial minority interests. Other unconsolidated subsidiaries include Fording Coal Limited, 60% owned (cost \$9,600,000), and, from August 1972, CanPac Minerals Limited, 60% owned (cost \$3,936,000). The equity method of accounting has been followed in stating the investments in these companies, so that CPI includes each year in consolidated income its share of their income.

The initial operations of Fording Coal Limited have been in preparation for production on a full commercial

scale. Accordingly, in Fording's financial statements at December 31, 1972 the costs of operations, less realizations from shipments, have been capitalized to be written off in future years.

The notes to the 1972 financial statements of Cominco Ltd. refer to the following: (a) disputed income tax assessments involving possible additional taxes aggregating \$1,600,000 for the five years ended December 31, 1972; (b) the costs of \$9,762,000 incurred in the rehabilitation of the Saskatchewan potash mine after flooding in 1970, which are included as assets in Cominco's 1972 balance sheet. Legal counsel of Cominco have advised that in their opinion there are good grounds for establishing liability against the contractors.

An analysis of investments in unconsolidated subsidiaries is shown below:

	Investments in		
	Cominco Ltd.	Great Lakes	Other
	(in thousands)		
Cost of acquisition	\$ 36,536	\$ 43,968	\$ 16,464
Adjustment of cost of shares acquired from Canadian Pacific Limited to equity in underlying assets at December 31, 1963	81,800	—	—
Equity in net income since acquisition, less dividends received	59,366	733	(236)
Equity in other increases in retained income	2,283	—	—
	179,985	44,701	16,228
Advances	—	—	1,560
	\$179,985	\$ 44,701	\$ 17,788

### 3 – Capital Stock

Each preferred share, series A, is convertible at the option of the holder to November 1, 1977 into two common shares, and is redeemable at CPI's option at \$20 per share.

At December 31, 1972, 4,986,520 warrants for the purchase of common shares were outstanding. Each warrant entitles the holder to purchase one common share at \$14 per share on or before November 1, 1974.

In 1972 a total of 15,005 common shares was issued, consisting of 295 shares on exercise of warrants and 14,710 shares on conversion of preferred shares.

Conditions attached to the preferred shares include certain restrictions on distributions on shares ranking junior to the preferred shares. The amount of retained income available for such distributions was approximately \$103,000,000 at December 31, 1972.



Notes to  
Financial Statements

## 4 – Long Term Debt

	1972	1971
	(in thousands)	
<b>Canadian Pacific Hotels Limited</b>		
8% % First Mortgage Sinking Fund Bonds, Series A due 1992	\$ 20,000	\$ —
Sundry – 6.85% 1973-1977	986	—
<b>Canadian Pacific Securities Limited</b>		
7% bank term loan repayable 1979	25,000	25,000
9½ % Sinking Fund Debentures due 1990	25,000	25,000
9% % Sinking Fund Debentures due 1990	40,000	40,000
<b>Marathon Realty Company Limited</b>		
Sundry loans and mortgages payable 1973-1974	6,672	5,905
7½ % bank term loan due 1976	7,400	7,030
<b>Foundation-Scottish Properties Limited</b> (a subsidiary of Marathon Realty Company Limited)		
6½ % First Mortgage Bonds maturing 1995, sinking fund payments 1973-1994	10,371	10,606
<b>Pacific Logging Company Limited</b>		
Term loans bearing interest at prime rate plus ¼ % – ¾ % repayable 1973-1978	7,218	6,900
<b>PanCanadian Petroleum Limited</b>		
Bank loans bearing interest at prime rate plus ¼ % – ½ % repayable 1973-1979	24,895	35,624
8½ % Sinking Fund Secured Debentures due 1992	25,000	—
8¾ % Sinking Fund Secured Debentures due 1992	25,000	—
	217,542	156,065
Less: Long term debt maturing within one year	11,903	5,352
	<b>\$205,639</b>	<b>\$150,713</b>

Annual maturities and sinking fund requirements for each of the five years following 1972 are:  
1973, \$11,903,000; 1974, \$6,134,000; 1975, \$13,700,000; 1976, \$13,077,000; 1977, \$5,061,000.

## 5 – Interest Expense

Interest on long term debt for 1972 was \$23,355,000  
(1971 – \$18,131,000) and on short term notes \$6,091,000  
(1971 – \$8,325,000).

## 6 – Depreciation, Depletion and Amortization

Amounts charged for depreciation, depletion and amortization in the statement of consolidated income were \$21,602,000 in 1972 (1971 – \$17,637,000).

The sinking fund method of providing for depreciation is used for major real estate developments. The sinking fund method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded

annually. Under this method depreciation charged to income in later years will be substantially higher than the amount charged in earlier years.

The amount of depletion charged to income for the year 1972 was \$11,316,000 (1971 – \$8,987,000) and the accumulated depletion at December 31, 1972 was \$65,362,000 (1971 – \$54,327,000).

## 7 – Extraordinary Items

Extraordinary items comprise, in 1972, net gain on disposal of 40% interest in CanPac Minerals Limited, after appropriate elimination of inter-company profit, \$1,425,000; net gain on disposal of other investments, \$1,078,000; and equity in loss on disposal of a mill by Cominco Ltd., \$567,000; and, in 1971, gain on disposal

of investments, \$996,000; gain on conversion of bank loan from U.S. to Canadian currency, \$357,000; equity in proceeds from grant of river and water storage rights of Cominco Ltd., \$1,460,000; and equity in reduction in income taxes of a subsidiary of Cominco Ltd. resulting from losses and tax credits of prior years, \$230,000.



**Notes to  
Financial Statements****8 – Income Taxes**

The provision for income taxes reflected in net income, in the total amount of \$13,740,000 (1971 – \$11,404,000) includes \$8,450,000 (1971 – \$7,185,000) in respect of deferred income taxes.

The companies follow the tax allocation basis of accounting for income taxes. For timing differences relating to oil and gas exploration and drilling expenditures, the practice of providing deferred taxes at an

estimated rate has been consistently followed, although it is the general practice in the oil and gas industry to make no provision for taxes so deferred. If current effective rates had been used, deferred taxes for 1972 would have been \$2,700,000 greater (1971 – \$2,300,000) and the cumulative total to December 31, 1972 would have been increased by \$18,700,000.

**9 – Commitments and Contingencies**

Commitments for capital expenditures at December 31, 1972 were \$27,600,000 (1971 – \$14,000,000).

At December 31, 1972, CPI had guaranteed 60% and Cominco Ltd. 40% of borrowings of approximately

\$74,000,000 by Fording Coal Limited, and the companies are providing some interim financing.

Loans guaranteed by a subsidiary amounted to \$18,731,000.

**10 – Foreign Exchange**

Current assets and current liabilities in foreign currency have been translated into Canadian dollars at current rates; other assets and liabilities (which are not signif-

icant in amount) have been translated at historical rates. Gains or losses on exchange are included in or charged to income.

**11 – Directors' and Officers' Remuneration**

Aggregate remuneration paid to persons who served as directors and officers of CPI at any time during the year was as follows:

Paying Company	1972		1971	
	(9 directors, 4 of whom were officers)		(9 directors, 5 of whom were officers)	
	As Directors	As Officers	As Directors	As Officers
CPI	\$ 23,000	\$147,000	\$ 18,000	\$131,000
Cominco Ltd.	35,000	146,000	24,000	139,000
Other subsidiaries, principally PanCanadian	16,000	10,000	18,000	8,000

**12 – Earnings per Share**

Assuming full dilution through conversion of preferred shares and exercise of warrants, earnings per share for 1972 would be 68¢ before extraordinary items and 71¢

in total. In calculating such earnings, a return of prime bank rate on the proceeds of the exercise of warrants has been assumed.

**13 – Pension Costs**

The unfunded past service liability, as previously determined by an actuarial survey, is estimated at December

31, 1972 to be about \$2,200,000. This amount is being funded by equal annual payments to 1990.

**14 – Restatement of Comparative Figures**

Figures for 1971 have been restated where necessary to conform with the presentation adopted for 1972.

**15 – Subsequent Event**

Effective January 31, 1973 PanCanadian purchased all of the outstanding shares of TransCanada Petroleum Limited for a cash consideration of \$32,000,000.

		1968	1969	1970	1971	1972
		Figures in thousands, except amounts per share				
<b>Five-year Summary</b>	Net income from operations					
	Oil and gas . . . . .	\$ 11,850	\$ 11,231	\$ 10,903	\$ 12,860	\$ 13,385
	Timberlands and related facilities . . . . .	2,435	3,110	1,683	1,711	3,365
	Real estate and related operations . . . . .	1,302	2,071	1,595	1,456	3,365
	Hotels and restaurants . . . . .	(443)	864	877	2,402	2,960
	Financing . . . . .	150	128	126	105	112
	Investment income . . . . .	10,405	9,420	9,374	5,234	6,814
		25,699	26,824	24,558	23,768	30,001
	Equity in income of subsidiaries not consolidated . . . . .	16,359	14,130	13,234	8,967	12,320
	Income before extraordinary items . . . . .	42,058	40,954	37,792	32,735	42,321
	Extraordinary items . . . . .	1,330	3,158	1,510	3,043	1,936
	<b>Net income</b> . . . . .	<b>\$ 43,388</b>	<b>\$ 44,112</b>	<b>\$ 39,302</b>	<b>\$ 35,778</b>	<b>\$ 44,257</b>
	<b>Dividends — Preferred shares</b> . . . . .	<b>\$ 4,749</b>	<b>\$ 4,724</b>	<b>\$ 4,713</b>	<b>\$ 4,705</b>	<b>\$ 4,696</b>
	<b>— Common shares</b> . . . . .	<b>21,505</b>	<b>23,032</b>	<b>23,706</b>	<b>23,718</b>	<b>23,727</b>
	<b>Number of Shares Outstanding</b>					
	Common . . . . .	50,016	50,078	50,088	50,120	50,135
	Preferred . . . . .	4,993	4,964	4,959	4,947	4,939
	<b>Per Common Share</b>					
	Income before extraordinary items . . . . .	74¢	72¢	66¢	56¢	75¢
	Net income . . . . .	77	78	69	62	79
	Dividends . . . . .	43	46	47.33	47.33	47.33
	<b>Investments at year end</b>					
	Portfolio . . . . .	\$276,031	\$264,621	\$271,709	\$224,360	\$229,474
	Subsidiaries not consolidated . . . . .	189,670	195,572	204,758	231,610	242,474
	Properties . . . . .	242,594	364,714	408,909	449,980	470,289



